

**REPORT OF THE AUDIT OF THE
SCOTT COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SCOTT COUNTY FISCAL COURT

June 30, 2010

The Auditor of Public Accounts has completed the audit of the Scott County Fiscal Court for fiscal year ended June 30, 2010.

We have issued unqualified opinions, based on our audit, on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Scott County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$ 66,403,909 as of June 30, 2010. The fiscal court had unrestricted net assets of \$22,292,274 in its governmental activities as of June 30, 2010, with total net assets of \$66,393,095. In its business-type activities, total net cash and cash equivalents were \$10,814 with total net assets of \$10,814.

Report Comment:

2010-1 The Scott County Detention Center Should Issue Receipts For All Funds Received

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable George Lusby, Scott County Judge/Executive
Members of the Scott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scott County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Scott County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Scott County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scott County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
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Members of the Scott County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Scott County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 7, 2011 on our consideration of Scott County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation included herein, which discusses the following report comment:

2010-1 The Scott County Detention Center Should Issue Receipts For All Funds Received

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

April 7, 2011

SCOTT COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

George Lusby	County Judge/Executive
Patsy Rich	Magistrate
Gary Allen Perry	Magistrate
Stewart Hughes	Magistrate
Bobby Rankin	Magistrate
John T. Hoffman	Magistrate
Tom Prather	Magistrate
Chuck Tackett	Magistrate

Other Elected Officials:

Glenn Williams	County Attorney
Larry Covington	Jailer
Jackie Covington	County Clerk
Karen Boehm	Circuit Court Clerk
Bobby Hammons	Sheriff
Tim Jenkins	Property Valuation Administrator
John Goble	Coroner

Appointed Personnel:

Jane L. Lucas	County Treasurer
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Management's Discussion and Analysis
June 30, 2010

The financial management of Scott County, Kentucky offers readers of Scott County's financial statements this narrative and analysis of the financial activities of Scott County for the fiscal year ending June 30, 2010. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to financial statements.

Financial Highlights

General Fund

The fiscal year ending June 30, 2010, showed a net decrease of revenues of \$364,487 from the previous year. The total revenue for the General Fund for fiscal year was \$20,809,905. This does not tell the picture, however, of the trend downward. In 2008 the revenue total was \$28,308,800. This trend in loss revenue still continues as we enter into the current fiscal year. The primary downturn has been in three areas. Since 2008 net profits have dropped from \$5,139,569 to \$904,606, payroll taxes dropped from \$11,493,414 to \$9,030,332, and certificates of deposit income dropped from \$1,234,641 to \$561,459.

There were other slight changes in revenue line items with some going up slightly and others going down but the overall picture shows a net loss in just two years of \$7,498,895.

The fiscal court took several steps to address this short fall and the general fund expenses were the lowest since 2005 at \$18,090,335. Added to this, however, was revenue transferred to the road fund in the amount of \$1,550,000 and to the jail fund of \$2,100,000 for a combined total of general fund expenses of \$22,185,666. Compare this to the revenue of \$20,809,905 and there is a net decrease of \$1,375,761 in this fund.

This trend cannot continue and as we look to the next fiscal year there will need to be difficult decisions made. It will be the job of the County Judge to keep the fiscal court up to date as the year progresses and it will be his responsibility to lead them through these difficult times. This, of course, will require the continued working together by the entire fiscal court.

Several measures have already begun to cut cost including no additional employees, changing the insurance coverage to avoid a significant increase in cost, limiting out of state travel, reducing the amount of road resurfacing, postponing the purchasing of any new vehicles and cutting a few positions.

The new year already indicates some problems with the retirement cost increasing by 2.5% and the need for some additional vehicles. The shortfall in revenue will also require the court to postpone several worthwhile projects including the road at the Taylor property and the PDR program.

Although we have faced this drastic shortfall in revenue the Scott County Government is in a good financial position. We have been able to build up a reserve fund that stood at \$21,361,364 at the end of the 2010 and the County has no outstanding debt. The coming fiscal year will continue to be a challenge to maintain this excellent financial status as we endure the economic downturn across the world.

**Scott County
Management's Discussion and Analysis
June 30, 2010
(Continued)**

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Scott County's basic financial statements. Scott County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements. The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of Scott County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Scott County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Scott County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the county that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Scott County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The county has one business type activity - the operation of a jail canteen.

The government-wide financial statements include not only Scott County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the county. Scott County has one such entity, the public properties corporation. It is known as a blended component unit.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Scott County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Scott County can be divided into three broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

**Scott County
Management's Discussion and Analysis
June 30, 2010
(Continued)**

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Scott County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, and Jail Fund, all of which are considered major funds by the county. The Local Government Economic Assistance Fund, McCracken Fund, Hospital Fund, and Public Properties Corporation Fund are considered non-major funds and are represented in a combined form.

Scott County adopts an annual appropriated budget for its major governmental funds except for the public properties corporation fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Fiduciary Fund. Scott County has one fiduciary fund. The Jail Inmate Fund is used to account for monies held by the county for a custodial purpose only.

Notes To The Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Scott County
Management's Discussion and Analysis
June 30, 2010
(Continued)

Table 1
Scott County's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
<u>Assets</u>						
Current And Other Assets	\$ 23,655,900	\$ 22,389,748	\$ 11,607	\$ 10,814	\$ 23,677,507	\$ 22,400,562
Capital Assets	44,398,437	44,003,347			44,398,437	44,003,347
Total Assets	68,054,337	66,393,095	11,607	10,814	68,075,944	66,403,909
<u>Liabilities</u>						
Current And Other Liabilities	435,000				435,000	
Long-Term Liabilities					-	
Total Liabilities	435,000				435,000	
<u>Net Assets</u>						
Invested In Capital Assets, Net						
Of Related Debt	43,963,437	44,003,347			43,963,437	44,003,347
Restricted For:						
Nonexpendable	87,595	88,690			87,595	88,690
Expendable	7,308	8,784			7,308	8,784
Unrestricted	23,570,997	22,292,274	11,607	10,814	23,582,604	22,303,088
Total Net Assets	\$ 67,629,337	\$ 66,393,095	\$ 11,607	\$ 10,814	\$ 67,640,944	\$ 66,403,909

**Scott County
Management's Discussion and Analysis
June 30, 2010
(Continued)**

**Table 2
Comparison of Governmental Activities**

	<u>Governmental Activities</u>		<u>% Change</u>
	2009	2010	
<u>Revenues</u>			
General Revenues-			
Taxes-			
Real Property Taxes	\$ 1,989,938	\$ 1,935,377	-2.74%
Personal Property Taxes	9,954	106,617	971.10%
Motor Vehicle Taxes	461,860	444,376	-3.79%
Occupational Tax/Net Profit Tax	10,830,079	9,934,938	-8.27%
Excess Fees	2,353,448	2,139,850	-9.08%
Miscellaneous Revenues	1,496,500	3,904,422	160.90%
Accrued Interest Received	902,851	604,177	-33.08%
Charges For Services	1,366,742	1,216,338	-11.00%
Operating Grants And Contributions	3,406,564	2,229,162	-34.56%
Capital Grants And Contributions	796	-	100.00%
Total Revenues	<u>22,818,732</u>	<u>22,515,257</u>	-1.33%
<u>Expenses</u>			
General Government	12,694,290	12,068,206	-4.93%
Protection To Persons And Property	8,204,125	7,922,116	-3.44%
General Health And Sanitation	775,307	716,263	-7.62%
Social Services	385,332	337,654	-12.37%
Recreation And Culture	1,142,234	895,970	-21.56%
Roads	2,561,914	2,583,304	0.83%
Interest On Long-Term Debt	30,638	10,331	-66.28%
Capital Projects	134,271	52,655	-60.78%
Total Expenses	<u>\$ 25,928,111</u>	<u>\$ 24,586,499</u>	-5.17%

Changes In Net Assets.

Governmental Activities. Scott County's net assets decreased by \$2,071,242 in fiscal year 2010.

- Current assets and cash decreased \$1,276,152.
- Investment in capital assets, net of related debt increased \$39,910.
- Current and long-term liabilities decreased by \$435,000.
- Revenues were \$22,515,257 as reflected in the Statement of Activities.
- Expenditures totaled \$24,586,499 as reflected in the Statement Of Activities.

Business-Type Activities. Scott County's net assets decreased by \$793 in fiscal year 2010.

Financial Analysis Of The County's Funds.

As noted earlier, Scott County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Scott County
Management's Discussion and Analysis
June 30, 2010
(Continued)**

Financial Analysis Of The County's Funds (Continued)

Governmental Funds Overview. The focus of Scott County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the county's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2010 fiscal year, the combined ending fund balance of Scott County's governmental funds was \$22,389,748. Approximately 99% (\$22,289,581) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$100,167) is reserved to indicate that it is not available for new spending because it is committed.

The county has 7 governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Local Government Economic Assistance Fund; 5) Hospital Fund; 6) McCracken Trust Fund 7) Public Properties Corporation Fund.

1. The General Fund is the chief operating fund of Scott County. At the end of the June 30, 2010 fiscal year, the total fund balance of the General Fund was \$21,361,364. The county received \$9,934,938 in occupational and net profit tax revenues. This accounts for approximately 44% of the general fund revenue. \$2,041,994 was received from real and personal property taxes and accounts for approximately 9% of the county's general fund revenue.
2. The Road and Bridge Fund is a fund related to county road construction and Maintenance. The Road Fund collected \$1,144,845 during the past fiscal year and had a carryover of \$15,817 plus \$1,550,000 transferred from the General Fund for a total operating amount of \$2,710,662. Expenses for the year were \$2,565,171 leaving a balance of \$145,491. The largest expenses were for road maintenance plus salaries and benefits.
3. The Jail Fund is used to account for the operation of the County's detention program. The jail fund received \$405,381 in revenue generated from its operation. There was \$2,100,000 transferred in from the General Fund plus a carryover of \$42,329 for total operating revenue of \$2,547,710. Total expenses for the year were \$2,362,975 leaving a balance of \$184,735.
4. This Local Government Economic Assistance Fund received \$138,536 and had a carryover of \$387,631 for a total operating balance of \$526,167. Expenses for the year were \$308,081 leaving a balance of \$218,086.
5. The Hospital Fund revenue is generated from Certificates of Deposits from the sale of the old hospital. The principal of these CD's is \$378,000. The interest earned is used for indigent care and pauper funerals. The fund received \$13,299 in interest and had a carryover of \$387,799 for a total of \$401,098. Expenses were \$18,500 leaving a balance of \$382,598.
6. The McCracken Trust Fund is used to pay for indigent care. The money is generated from a trust fund and only the interest can be spent with 1/3 going back in the trust fund and 2/3 used for indigent care. The fund received \$3,285 with a carryover of \$94,903 for a total of \$98,188. Expenses were \$714 leaving a balance of \$97,474.
7. The Public Properties Corporation Fund is used to pay the debt service payments for the series 1997 refunding issue. Transfers are made from the General Fund to the Public Properties Corporation Fund for payments to then be made by the third party trustee. This bond was paid off January 1, 2010.

**Scott County
Management's Discussion and Analysis
June 30, 2010
(Continued)**

As a final analysis for all funds for the year ending June 30, 2010 the carryover cash balance beginning the year was \$23,665,900. The year ended with a cash carryover of \$22,389,748. This resulted in a net use of carryover money of \$1,276,152.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, in more detail.

Scott County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net assets of \$10,814 as of June 30, 2010 and a cash balance of \$10,814.

General Fund Budgetary Highlights.

Actual operating revenues were \$1,727,105 more than the amount originally budgeted by fiscal court. This increase was primarily from an increase in reimbursements.

Actual operating expenditures were \$6,856,035 less than amount originally budgeted by fiscal court.

Capital Assets and Debt Administration.

Capital Assets. Scott County's investment in capital assets for its government and business type activities as of June 30, 2010, amounts to \$44,003,347 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure. The county has elected to report infrastructure assets per GASB 34 provisions.

**Table 3
Scott County's Capital Assets, Net Of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Infrastructure Assets	\$ 12,575,372	\$ 12,382,095	\$	\$	\$12,575,372	\$ 12,382,095
Land	6,782,870	7,617,870			6,782,870	7,617,870
Buildings And Improvements	19,135,811	18,741,925			19,135,811	18,741,925
Other Equipment	2,151,657	1,923,700			2,151,657	1,923,700
Vehicles And Equipment	3,752,727	3,337,757			3,752,727	3,337,757
Total Net Capital Assets	<u>\$44,398,437</u>	<u>\$44,003,347</u>	<u>\$</u>	<u>\$</u>	<u>\$44,398,437</u>	<u>\$44,003,347</u>

Requests for information

This financial report is designed to provide a general overview of Scott County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Scott County Treasurer, P.O. Box 973, Georgetown, KY 40324.

SCOTT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

SCOTT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 22,389,748	\$ 10,814	\$ 22,400,562
Total Current Assets	<u>22,389,748</u>	<u>10,814</u>	<u>22,400,562</u>
Noncurrent Assets:			
Capital Assets - Net of			
Accumulated Depreciation			
Land and Land Improvements	7,617,870		7,617,870
Buildings	18,741,925		18,741,925
Other Equipment	1,923,700		1,923,700
Vehicles and Equipment	3,337,757		3,337,757
Infrastructure	<u>12,382,095</u>		<u>12,382,095</u>
Total Noncurrent Assets	<u>44,003,347</u>		<u>44,003,347</u>
Total Assets	<u>66,393,095</u>	<u>10,814</u>	<u>66,403,909</u>
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	44,003,347		44,003,347
Restricted For:			
Indigent Care-Nonexpendable	88,690		88,690
Indigent Care-Expendable	8,784		8,784
Unrestricted	<u>22,292,274</u>	<u>10,814</u>	<u>22,303,088</u>
Total Net Assets	<u>\$ 66,393,095</u>	<u>\$ 10,814</u>	<u>\$ 66,403,909</u>

The accompanying notes are an integral part of the financial statements.

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SCOTT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

SCOTT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 12,068,206	\$ 209,921	\$ 527,835	\$
Protection to Persons and Property	7,922,116	916,917	444,763	
General Health and Sanitation	716,263	89,500		
Social Services	337,654			
Recreation and Culture	895,970			
Roads	2,583,304		1,256,564	
Interest on Long-Term Debt	10,331			
Capital Projects	52,655			
Total Governmental Activities	24,586,499	1,216,338	2,229,162	
Business-type Activities:				
Jail Canteen	41,158	39,761	604	
Total Business-type Activities	41,158	39,761	604	
Total Primary Government	\$ 24,627,657	\$ 1,256,099	\$ 2,229,766	\$ 0

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Occupational Tax/Net Profit Tax

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (11,330,450)	\$	\$ (11,330,450)
(6,560,436)		(6,560,436)
(626,763)		(626,763)
(337,654)		(337,654)
(895,970)		(895,970)
(1,326,740)		(1,326,740)
(10,331)		(10,331)
(52,655)		(52,655)
(21,140,999)		(21,140,999)
	(793)	(793)
	(793)	(793)
(21,140,999)	(793)	(21,141,792)
1,935,377		1,935,377
106,617		106,617
444,376		444,376
9,934,938		9,934,938
2,139,850		2,139,850
3,904,422		3,904,422
604,177		604,177
19,069,757		19,069,757
(2,071,242)	(793)	(2,072,035)
68,464,337	11,607	68,475,944
\$ 66,393,095	\$ 10,814	\$ 66,403,909

The accompanying notes are an integral part of the financial statements.

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SCOTT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

SCOTT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

	General Fund	Road Fund	Jail Fund	Non- Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 21,361,364	\$ 145,491	\$ 184,735	\$ 698,158	\$ 22,389,748
Total Assets	<u>21,361,364</u>	<u>145,491</u>	<u>184,735</u>	<u>698,158</u>	<u>22,389,748</u>
FUND BALANCES					
Reserved for:					
Permanent Fund-Indigent Care				88,690	88,690
Encumbrances	4,960	437	6,080		11,477
Unreserved:					
General Fund	21,356,404				21,356,404
Special Revenue Funds		145,054	178,655	600,684	924,393
Permanent Fund				8,784	8,784
Total Fund Balances	<u>\$ 21,361,364</u>	<u>\$ 145,491</u>	<u>\$ 184,735</u>	<u>\$ 698,158</u>	<u>\$ 22,389,748</u>

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 22,389,748
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	68,425,854
Accumulated Depreciation	<u>(24,422,507)</u>
Net Assets Of Governmental Activities	<u>\$ 66,393,095</u>

The accompanying notes are an integral part of the financial statements.

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SCOTT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

SCOTT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	General Fund	Road Fund	Jail Fund	Non- Major Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 12,936,708	\$	\$	\$	\$ 12,936,708
Excess Fees	1,015,385				1,015,385
Licenses and Permits	198,461				198,461
Intergovernmental	2,040,687	1,120,080	352,508	136,483	3,649,758
Charges for Services	689,069		37,155		726,224
Miscellaneous	3,346,403	22,423	15,718		3,384,544
Interest	583,192	2,342		18,643	604,177
Total Revenues	<u>20,809,905</u>	<u>1,144,845</u>	<u>405,381</u>	<u>155,126</u>	<u>22,515,257</u>
EXPENDITURES					
General Government	5,129,600				5,129,600
Protection to Persons and Property	5,625,072		1,639,494		7,264,566
General Health and Sanitation	689,735				689,735
Social Services	318,440			19,214	337,654
Recreation and Culture	827,538				827,538
Roads		1,987,147		308,081	2,295,228
Debt Service				445,331	445,331
Capital Projects	39,262	13,393			52,655
Administration	5,460,688	564,631	723,481	302	6,749,102
Total Expenditures	<u>18,090,335</u>	<u>2,565,171</u>	<u>2,362,975</u>	<u>772,928</u>	<u>23,791,409</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,719,570</u>	<u>(1,420,326)</u>	<u>(1,957,594)</u>	<u>(617,802)</u>	<u>(1,276,152)</u>
Other Financing Sources (Uses)					
Transfers From Other Funds		1,550,000	2,100,000		3,650,000
Transfers To Other Funds	(4,095,331)			445,331	(3,650,000)
Total Other Financing Sources (Uses)	<u>(4,095,331)</u>	<u>1,550,000</u>	<u>2,100,000</u>	<u>445,331</u>	
Net Change in Fund Balances	(1,375,761)	129,674	142,406	(172,471)	(1,276,152)
Fund Balances - Beginning	22,737,125	15,817	42,329	870,629	23,665,900
Fund Balances - Ending	<u>\$ 21,361,364</u>	<u>\$ 145,491</u>	<u>\$ 184,735</u>	<u>\$ 698,158</u>	<u>\$ 22,389,748</u>

The accompanying notes are an integral part of the financial statements.

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**SCOTT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2010

SCOTT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (1,276,152)
--	----------------

Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets is allocated Over their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	867,935
Depreciation Expense	(2,089,284)
Assets Disposed of, Net Book Value	(8,741)

Debt Proceeds Provide Current Financial Resources To Governmental Funds While Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets.

Bond Principal Payments	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">435,000</div>
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Change in Net Assets of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ (2,071,242)</div>
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SCOTT COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

SCOTT COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

	Business-Type Activities - <hr/> Enterprise Fund <hr/> Jail Canteen Fund <hr/>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 10,814
Total Assets	<hr/> 10,814 <hr/>
Net Assets	
Unrestricted	10,814
Total Net Assets	<hr/> \$ 10,814 <hr/>

The accompanying notes are an integral part of the financial statements.

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SCOTT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

SCOTT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 9,126
Miscellaneous	30,635
Total Operating Revenues	<u>39,761</u>
Operating Expenses	
Educational and Recreational	5,878
Personnel Costs	4,285
Miscellaneous	30,995
Total Operating Expenses	<u>41,158</u>
Operating Income (Loss)	<u>(1,397)</u>
Nonoperating Revenues (Expenses)	
Inmate Pay From State	<u>604</u>
Total Nonoperating Revenues (Expenses)	<u>604</u>
Change In Net Assets	(793)
Total Net Assets - Beginning	<u>11,607</u>
Total Net Assets - Ending	<u>\$ 10,814</u>

The accompanying notes are an integral part of the financial statements.

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SCOTT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

SCOTT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund Jail Canteen Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 9,126
Cash received from other sources	30,635
Cash payments for goods and services	(5,878)
Cash payments for employee salaries and benefits	(4,285)
Cash payments to other sources	(30,995)
Net Cash Provided By Operating Activities	(1,397)
Cash Flows From Noncapital Financing Activities	
Cash received from state	604
Net Cash Provided By Noncapital Financing Activities	604
Net Increase in Cash and Cash Equivalents	(793)
Cash and Cash Equivalents - July 1, 2009	11,607
Cash and Cash Equivalents - June 30, 2010	\$ 10,814
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (1,397)
Net Cash Provided By Operating Activities	\$ (1,397)

The accompanying notes are an integral part of the financial statements.

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SCOTT COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

SCOTT COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	<u>Agency Fund</u>
	Jail
	Inmate
	<u>Account</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 18,370</u>
Total Assets	<u><u> 18,370</u></u>
Liabilities	
Amounts Held In Custody For Others	<u> 18,370</u>
Total Liabilities	<u><u>\$ 18,370</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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SCOTT COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Scott County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Scott County Public Properties Corporation

The Scott County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Scott Fiscal Court is financially accountable for the component unit as part of the reporting entity and its financial activity is blended with that of the fiscal court.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Scott County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Scott County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Scott County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, McCracken Trust Fund, Hospital Fund, and Public Properties Corporation Fund.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Hospital Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Permanent Funds:

The McCracken Trust fund is presented as a permanent fund. Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the county's programs.

Debt Service Fund:

The Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Account - This fund accounts for funds received from prisoners upon arrival at the detention center and remitted to the prisoners upon release.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	20-25
Buildings and Building Improvements	\$ 5,000	10-60
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-12
Infrastructure	\$ 5,000	20-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

The McCracken Trust Fund was established by the will of John C. McCracken in 1835. The will imposed that the fund be held in perpetuity and that one-third of the proceeds and profits be used to increase and augment the principal. The remaining two-thirds of the proceeds and profits were to be used at the fiscal court's discretion to alleviate the misfortunes and bettering the conditions of the poor and indigent persons.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund and the Jail Canteen Inmate Agency Fund to be budgeted because the fiscal court does not approve the expenses and made from these funds.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Scott County Fiscal Court: Georgetown-Scott County Tourism and the Scott County Public Library.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Scott County Fiscal Court: Park and Recreation and Planning and Zoning.

Note 2. Deposits and Investments

A. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(D). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 7,617,870	\$	\$	\$ 7,617,870
Total Capital Assets Not Being Depreciated	7,617,870			7,617,870
Capital Assets, Being Depreciated:				
Buildings	24,793,381			24,793,381
Other Equipment	4,439,198	36,149		4,475,347
Vehicles and Equipment	6,623,070		(20,352)	6,602,718
Infrastructure	24,104,752	831,786		24,936,538
Total Capital Assets Being Depreciated	59,960,401	867,935	(20,352)	60,807,984
Less Accumulated Depreciation For:				
Buildings	(5,657,570)	(393,886)		(6,051,456)
Other Equipment	(2,287,541)	(264,106)		(2,551,647)
Vehicles and Equipment	(2,870,343)	(406,229)	11,611	(3,264,961)
Infrastructure	(11,529,380)	(1,025,063)		(12,554,443)
Total Accumulated Depreciation	(22,344,834)	(2,089,284)	11,611	(24,422,507)
Total Capital Assets, Being Depreciated, Net	37,615,567	(1,221,349)	(8,741)	36,385,477
Governmental Activities Capital Assets, Net	\$ 45,233,437	\$ (1,221,349)	\$ (8,741)	\$ 44,003,347

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 189,504
Protection to Persons and Property	665,334
General Health and Sanitation	26,528
Recreation and Culture	68,432
Roads, Including Depreciation of General Infrastructure Assets	<u>1,139,486</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,089,284</u>

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Long-Term Debt - Public Properties Corporation

In September 1997, the Scott County Public Properties Corporation Fund issued \$3,415,000 of revenue refunding bonds, series 1997. The bonds were issued for advance refunding of the outstanding 1990 bonds maturing on and after January 1, 2002 to 2010. Interest is payable semi-annually on January 1 and July 1 of each year and principal payments are due on January 1 of each year until the principal was paid in full on January 1, 2010. The total principal outstanding was \$0 as of June 30, 2010.

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 435,000	\$	\$ 435,000	\$ 0	\$ 0
Governmental Activities					
Long-term Liabilities	<u>\$ 435,000</u>	<u>\$ 0</u>	<u>\$ 435,000</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2008 was \$2,336,422, FY 2009 was \$2,103,729, and FY 2010 was \$2,360,617.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Employee Retirement System (Continued)

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Deferred Compensation

The Scott County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2010, Scott County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (Year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded in actual historical cost.

Note 9. Prior Period Adjustment

Beginning net assets were increased by \$835,000 due to land that was purchased in 2005, but not added to the capital asset schedule.

SCOTT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

SCOTT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 12,944,000	\$ 12,944,000	\$ 12,936,708	\$ (7,292)
Excess Fees	900,000	900,000	1,015,385	115,385
Licenses and Permits	274,000	274,000	198,461	(75,539)
Intergovernmental Revenue	1,775,700	1,775,700	2,040,687	264,987
Charges for Services	635,000	635,000	689,069	54,069
Miscellaneous	2,044,100	2,044,100	3,346,403	1,302,303
Interest	510,000	510,000	583,192	73,192
Total Revenues	19,082,800	19,082,800	20,809,905	1,727,105
EXPENDITURES				
General Government	6,451,475	6,458,461	5,129,600	1,328,861
Protection to Persons and Property	6,041,018	6,429,461	5,625,072	804,389
General Health and Sanitation	838,599	842,430	689,735	152,695
Social Services	303,625	321,895	318,440	3,455
Recreation and Culture	1,038,618	876,718	827,538	49,180
Debt Service	445,335	445,335		445,335
Capital Projects	1,300,000	1,300,000	39,262	1,260,738
Administration	8,527,700	8,272,070	5,460,688	2,811,382
Total Expenditures	24,946,370	24,946,370	18,090,335	6,856,035
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(5,863,570)	(5,863,570)	2,719,570	8,583,140
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(5,807,434)	(5,807,434)	(4,095,331)	1,712,103
Total Other Financing Sources (Uses)	(5,807,434)	(5,807,434)	(4,095,331)	1,712,103
Net Changes in Fund Balance	(11,671,004)	(11,671,004)	(1,375,761)	10,295,243
Fund Balance - Beginning	11,671,004	11,671,004	22,737,125	11,066,121
Fund Balance - Ending	\$ 0	\$ 0	\$ 21,361,364	\$ 21,361,364

SCOTT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 923,253	\$ 923,253	\$ 1,120,080	\$ 196,827
Miscellaneous	16,200	16,200	22,423	6,223
Interest	2,500	2,500	2,342	(158)
Total Revenues	941,953	941,953	1,144,845	202,892
EXPENDITURES				
Roads	3,379,200	3,380,205	1,987,147	1,393,058
Capital Projects	108,000	107,000	13,393	93,607
Administration	752,500	752,495	564,631	187,864
Total Expenditures	4,239,700	4,239,700	2,565,171	1,674,529
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(3,297,747)	(3,297,747)	(1,420,326)	1,877,421
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	3,297,747	3,297,747	1,550,000	(1,747,747)
Total Other Financing Sources (Uses)	3,297,747	3,297,747	1,550,000	(1,747,747)
Net Changes in Fund Balance			129,674	129,674
Fund Balance - Beginning			15,817	15,817
Fund Balance - Ending	\$ 0	\$ 0	\$ 145,491	\$ 145,491

SCOTT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 258,100	\$ 258,100	\$ 352,508	\$ 94,408
Charges for Services	23,000	23,000	37,155	14,155
Miscellaneous	10,100	10,100	15,718	5,618
Total Revenues	291,200	291,200	405,381	114,181
EXPENDITURES				
Protection to Persons and Property	1,879,287	1,928,847	1,639,494	289,353
Debt Service	12,000	12,000		12,000
Administration	909,600	860,040	723,481	136,559
Total Expenditures	2,800,887	2,800,887	2,362,975	437,912
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(2,509,687)	(2,509,687)	(1,957,594)	552,093
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	2,509,687	2,509,687	2,100,000	(409,687)
Total Other Financing Sources (Uses)	2,509,687	2,509,687	2,100,000	(409,687)
Net Changes in Fund Balance				
Fund Balance - Beginning			142,406	142,406
			42,329	42,329
Fund Balance - Ending	\$ 0	\$ 0	\$ 184,735	\$ 184,735

SCOTT COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

SCOTT COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

SCOTT COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

	LGEA Fund	McCracken Trust Fund	Hospital Fund	Public Properties Corporation Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 218,086	\$ 97,474	\$ 382,598	\$	\$ 698,158
Total Assets	<u>218,086</u>	<u>97,474</u>	<u>382,598</u>	<u></u>	<u>698,158</u>
FUND BALANCES					
Reserved For:					
Permanent Fund-Indigent Care		88,690			88,690
Unreserved:					
Permanent Fund		8,784			8,784
Special Revenue Funds	<u>218,086</u>	<u></u>	<u>382,598</u>	<u></u>	<u>600,684</u>
Total Fund Balances	<u>\$ 218,086</u>	<u>\$ 97,474</u>	<u>\$ 382,598</u>	<u>\$ 0</u>	<u>\$ 698,158</u>

The accompanying notes are an integral part of the financial statements.

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SCOTT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010

SCOTT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2010

	LGEA Fund	McCracken Trust Fund	Hospital Fund	Public Properties Corporation Fund	Total Non-Major Governmental Funds
REVENUES					
Intergovernmental	\$ 136,483	\$	\$	\$	\$ 136,483
Interest	2,053	3,285	13,299	6	18,643
Total Revenues	<u>138,536</u>	<u>3,285</u>	<u>13,299</u>	<u>6</u>	<u>155,126</u>
EXPENDITURES					
Social Services		714	18,500		19,214
Roads	308,081				308,081
Debt Service				445,331	445,331
Adminstration				302	302
Total Expenditures	<u>308,081</u>	<u>714</u>	<u>18,500</u>	<u>445,633</u>	<u>772,928</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(169,545)</u>	<u>2,571</u>	<u>(5,201)</u>	<u>(445,627)</u>	<u>(617,802)</u>
Other Financing Sources (Uses)					
Transfers From Other Funds				445,331	445,331
Total Other Financing Sources (Uses)				<u>445,331</u>	<u>445,331</u>
Net Change in Fund Balances	(169,545)	2,571	(5,201)	(296)	(172,471)
Fund Balances - Beginning	387,631	94,903	387,799	296	870,629
Fund Balances - Ending	<u>\$ 218,086</u>	<u>\$ 97,474</u>	<u>\$ 382,598</u>	<u>\$ 0</u>	<u>\$ 698,158</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable George Lusby, Scott County Judge/Executive
Members of the Scott County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scott County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated April 7, 2011. Scott County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scott County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Scott County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Scott County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation as item 2010-1.

The Scott County Judge/Executive's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

April 7, 2011

**SCOTT COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2010

**SCOTT COUNTY
COMMENT AND RECOMMENDATION
Fiscal Year Ended June 30, 2010**

STATE LAWS AND REGULATIONS

2010-1 The Scott County Detention Center Should Issue Receipts For All Funds Received

The Scott County Detention Center is not issuing receipts for all funds received. Receipts are issued for funds received upon intake of inmates, but they were not pre-numbered or retained. Receipts for all other monies received were not being issued. Since the Detention Center only accepts US Postal Money Orders, the payor retains a copy of the money order as their receipt. Failure to issue receipts leaves the Detention Center open to potential loss, as there is no record of funds received. Furthermore, the Detention Center has no way to resolve disputed receipts.

We also noted daily deposits were made for the inmate account, but only monthly for the canteen account. While the items not deposited daily were small in amount, few in number and maintained in a secure safe, daily deposits are required.

KRS 68.210 and the DLG Budget Manual provides minimum bookkeeping requirements for all local government officials. These requirements include, but are not limited to:

- Issuing pre-numbered three part receipt forms for all receipts. Original to be given to payor, copy to be attached in sequential order to daily checkout sheet, and a copy to be retained in file. Voided receipts should be marked and copies one and two be kept in numerical sequence with checkout records and copy three remaining in file.
- Daily checkout sheets to be prepared and retained with receipts.
- Daily deposits to be made to federally insured banking institution.

It is recommended that the Detention Center begin issuing pre-numbered three part receipt forms for all funds received and completing a daily checkout sheet that agrees to the receipts issued for the day and the daily bank deposit.

County Judge/Executive Lusby's Response: The auditor has met with the Jailer and he has agreed to follow her instructions.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

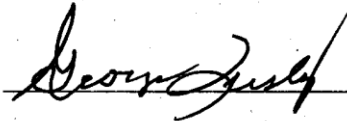
SCOTT COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2010**

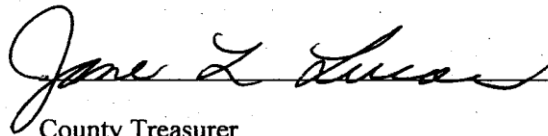
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
SCOTT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Scott County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "George Zuck", is written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Jane L. Lucas", is written over a horizontal line.

County Treasurer

